

**Statement of Senator Conrad Burns
Communications Subcommittee of the
Commerce, Science and Transportation Committee
Hearing on Reauthorization of the
Federal Communications Commission
June 10, 1998**

Good morning and welcome to the final hearing in a series of continuing oversight hearings of the Federal Communications Commission. Over the past several weeks, this sub-committee has held bureau-by-bureau oversight hearings designed to produce a regulatory framework that fosters open competition as we look to the 21st century.

We are fortunate to have the full commission before the sub-committee today.

The FCC is one of the most critical federal agencies that is an arm of the United States Congress in terms of its effects on the everyday lives of Americans. Yet, the commission's last authorization bill was passed in 1990, and since 1992 the FCC has been technically a "non-authorized" agency. I feel strongly that the sub-committee should begin the process of re-authorization. I look forward to working closely with my colleagues on this subcommittee and the full committee to put forth a re-authorization bill which will speed the communications industry along the path to less regulation and more competition.

Before I talk in more detail about the structure of the FCC and its responsibility to the Congress and the American people, I would like to comment on a timely and critical issue, the implementation of the Schools and Libraries program.

Recently, new charges began appearing on telephone bills. These are the charges which providers are assessing to pay for the expansion of "universal service" for the "Schools and Libraries" program.

I don't think anyone in the Senate ever thought that the limited language which we included in the 1996 Telecommunications Act would be used to create a massive new entitlement program through universal service. Universal service has historically meant the provision of telecommunication services to all Americans, regardless of geographical location. The FCC has expanded the definition of universal service to include broad-ranging social programs, which has caused the commission's progress toward maintaining universal service to be delayed. While such goals as providing Internet access to schools and libraries may be laudable, they were never meant to be part of universal service as it has traditionally been known. Indeed, a huge burden has been placed on rural states in meeting these newfound definitions.

Certainly we all know and appreciate the contribution which computers, advanced

communications, and the Internet can make toward providing new tools for a quality education. Of these, broadband advanced technologies are the most important as they facilitate distance learning and interactive capabilities. In Montana and a lot of other Western states, we have already made great strides. But as this program was originally proposed by the FCC in 1997, it would have cost telephone ratepayers about \$2.65 billion a year — or, the equivalent of over \$1.20 per line per month for ratepayers in Montana. Even when the program is scaled back, we are still talking about literally billions of dollars.

It is my understanding that some \$625 million has been collected already to connect schools and libraries to the Internet this year. I don't think that the FCC should continue to press to expand this program until all the administrative and other issues which have been raised are fully resolved. Let's not forget that the FCC is duty-bound to reflect the will of Congress. I think that the bipartisan congressional leadership has accurately reflected the mood on the Hill in its recent communications to the commission. Congress simply does not want a new runaway entitlement program that jeopardizes traditional universal service.

I want to make it clear that I have always supported the goal of connecting all of our schools to broadband technology that provides advanced telecommunications as well for rural health care centers. It is with this in mind that I have proposed using the outdated 3 percent excise tax on telephones to fund the Schools and Libraries and Rural Health Care programs. Currently, none of the money collected by the federal government goes to fund telephone service for Americans.

The tax was designed to fund World War I and was instituted in an era when telephones were considered a luxury. Well, World War I should be paid for by now and phones are certainly no longer a luxury item. The 3 percent tax was kept alive to provide revenue to offset the deficit. In today's climate of budgetary surplus, this justification no longer makes sense. My proposal calls for cutting the excise tax in half and using the remaining half to fund the Schools and Libraries program and the Rural Health Care program.

This proposal is a win-win solution. It's a win for consumers, since it would eliminate the need for new charges on telephone services. It is a win for taxpayers who would see billions of dollars in current taxes eliminated. It is a win for our schools, libraries, and rural health care centers who would see their programs fully funded without threatening universal service. With support of the members of this sub-committee and the leadership of the Senate, I believe this proposal can solve the current crisis we face in funding these programs.

As we look to the bigger picture of establishing a regulatory agency that fosters procompetitive policies for the digital era, I am concerned that the commission has shown a tendency to create additional bureaucratic layers of administration and

regulation in the attempt to solve problems. The Telecommunications Act of 1996 established a transition from monopoly to competitive markets, but it did little to deregulate. When markets become fully competitive, regulation should be eliminated entirely. Regulators have been unable to do this on their own, so Congress must ensure this occurs. It is with these core principles in mind that the Communications Subcommittee has moved forward in its oversight capacity.

I am convinced that the current structure of the FCC has impeded rather than fostered the movement toward deregulation. In previous oversight hearings, I have expressed my concern that significant overlap exists between the bureaus, particularly in the case of mass media regulation. In addition, the volume of new FCC rules and regulations has increased tremendously, as has the sheer volume of court appeals.

Clearly more must be done to foster the move towards deregulation and open markets. The record we have developed in the subcommittee has shown that we must work together to create a regulatory framework that encourages innovative technologies and consumer choice.

Over the past few months, during which the oversight hearings have taken place, I have been presented with a variety of intriguing proposals on how best to achieve this critical aim. Among these recommendations are the elimination of the commission outright while folding its core functions into other departments and federal agencies, wrapping the Cable Bureau into the Mass Media Bureau to streamline mass media regulation and eliminating or reducing a host of commission offices. Offices recommended for elimination have included the Office of Plans and Policy, the Office of Public Affairs and the Office of Administrative Law Judges. I have also heard several suggestions that staff be significantly reduced in the Mass Media Bureau, the Office of General Counsel and the Office of Managing Director.

While I do not necessarily endorse any of these proposals at this stage, we must be open to any and all ideas which will foster procompetitive policies for the digital era. I look forward to the thoughts of the commissioners on these vital matters. Thank you.